

# INTESA S.PAOLO

Sector: Banks

# OUTPERFORM

Price: Eu4.16 - Target: Eu4.80

## Strong FY, and another SBB on the way

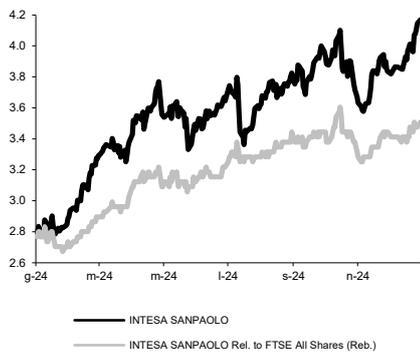
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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	-1.0%	-0.1%	0.5%

### Next Event

 Results Out on Feb. 4<sup>th</sup>

### INTESA S.PAOLO - 12M Performance



Stock Data			
Reuters code:	ISP.MI		
Bloomberg code:	ISP IM		
Performance	1M	3M	12M
Absolute	8.5%	5.0%	51.0%
Relative	2.1%	1.8%	32.8%
12M (H/L)	4.17/2.77		
3M Average Volume (th):	66,259.94		

Shareholder Data	
No. of Ord shares (mn):	17,804
Total no. of shares (mn):	17,804
Mkt Cap Ord (Eu mn):	74,090
Total Mkt Cap (Eu mn):	74,090
Mkt Float - Ord (Eu mn):	62,268
Mkt Float (in %):	84.0%
Main Shareholder:	
Compagnia San Paolo	6.1%

Balance Sheet Data	
Tangible Equity (Eu mn):	60,788
TEPS (Eu):	3.41
CET1 Ratio Fully Loaded:	14.4%
Gross NPE Ratio:	2.3%

Intesa SanPaolo is set to report its 4Q/FY24 results on Feb. 4<sup>th</sup>, crowning one of its most profitable ever years. 4Q is expected to have been impacted by prudential provisions and the €350mn one-off for the reduction of FTEs, entirely manageable as the guidance for the year (>€8.5bn) is fully achievable (9M24 net profit was ~€7.2bn). The release will also include the new SBB on FY24 results to be proposed to ISP shareholders. In our view, even with a scenario of falling rates, ISP is expected to be in a top position, benefiting from its well diversified top-line that ensures large fee-based revenues from its insurance, AM and WM businesses, as well as resilient NII. While slightly revising our estimates, we confirm our recommendation and TP.

■ **4Q24 Preview:** The top-line trends are expected to decline, mostly related to declining NII (-4% QoQ; -5% YoY), even if well above the >€15.5bn guidance. Fees are seen as positively impacted by the usual year-end seasonality, and the insurance result is expected to grow 3% QoQ. OpEx are seen growing 30% QoQ due to bonus pay items and the second rise in the banking sector contract (quarterly C/I Ratio at 54.3% vs an expected 42.7% for the FY). Under the operating line, which is seen in an obvious decline, we forecast numerous prudential provisions, mainly for credit risk, leading to a PBT of ~€2.2bn. After tax we see the impact of the one-offs related to OpEx efficiency (reduction in FTEs) disclosed in 9M results. We land at solid ~€1.4bn net profit for 4Q24. For the FY, our item is a prudent ~€8.6bn, above the >€8.5bn, but for adj. net profit we land at €9.25bn.

■ **Capital and payout:** ISP is rightly perceived as one of the safest IT/EU banks, even if it is not as capital-long as other peers (which sit on >14% CET1). However, ISP makes excellent use of its smaller capital, posting a restated ROTE of nearly 16%. Capital generation is strong, given the 70% payout, and the CET1 ratio is expected at 13.94%. We do not estimate an upgraded payout ratio, BUT we do think ISP will propose a new SBB worth at least €2bn (not in our estimates), which management prefers to a cash dividend.

■ **Change in Estimates:** We have revised our estimates with little to no impact on the bottom line, especially for FY25/26. We slightly raise our FY25/26 fee revenues to embed growing interest in managed assets (seen higher in a lower rates environment), while reducing the FY26 NII figure a little. However, the main changes are related to OpEx: mostly higher staff costs, with a C/I Ratio set to be stable at around 43% for FY24-27. Under the operating line, we raise CoR by 2bps on FY24, and reduce risk provisions on all years. All in all, the changes lead to -1.0%/-0.1%/+0.5% adj. EPS. We also take the chance to publish our FY27 figures, which embed further growth of fee and insurance revenues, and a reduction of CoR.

■ **Valuation:** In our view, ISP remains one of the best players in the Italian banking sector, even though it is shut out of consolidation for market share reasons. We think the bank is well positioned in every environment, whether rates are high or low, due to its diversified and resilient top line.

Key Figures & Ratios	2023A	2024E	2025E	2026E	2027E
Total income (Eu mn)	25,138	26,946	26,774	26,729	26,882
Net Operating Profit (Eu mn)	13,809	15,441	15,300	15,281	15,416
Net Profit Adj (Eu mn)	8,370	9,251	9,160	9,092	9,214
EPS New Adj (Eu)	0.458	0.520	0.515	0.511	0.518
EPS Old Adj (Eu)	0.458	0.525	0.515	0.508	
DPS (Eu)	0.296	0.338	0.357	0.354	0.359
P/E Adj	9.1	8.0	8.1	8.1	8.0
Div. Yield	7.1%	8.1%	8.6%	8.5%	8.6%
P/TE	1.39	1.27	1.22	1.17	1.12
ROTE	15.3%	15.9%	15.1%	14.3%	13.9%

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&PMB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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- BUY: stock expected to outperform the market by over 25% over a 12 month period;
- OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;
- NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;
- UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;
- SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	31.34 %
OUTPERFORM:	43.28 %
NEUTRAL:	25.38 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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OUTPERFORM:	29.58 %
NEUTRAL:	19.72 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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